

**TESTIMONY**  
**Of**  
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**Before the**  
**U.S. House of Representatives Armed Services Committee**  
**Defense Acquisition Reform Panel**  
  
**Hearing on**  
**“Can DoD Improve Innovation and Competition in Acquisition by**  
**Better Utilizing Small Business?”**

**October 29, 2009**

Chairman Andrews, Ranking Member Conaway, and other distinguished Members of this Committee, thank you for inviting me to testify about the U.S. Small Business Administration (SBA) and its small business procurement related programs and the importance of small business participation in the Federal procurement arena. I am Calvin Jenkins, Deputy Associate Administrator for Government Contracting and Business Development.

A key part of SBA’s mission is to ensure that small businesses receive a fair opportunity to participate in the Federal procurement arena, including small businesses owned by women, service-disabled veterans, those that are socially and economically disadvantaged individuals, and small businesses located in Historically Underutilized Business Zones (HUBZone).

This mission is important because Federal procurement is a significant market for small businesses to sell their products and services and contribute as a driver to our economy. Small business is flexible, creative and innovative. They represent 99.7 percent of all employer firms and have over half of all private sector employees. Small businesses have generated the majority of net new private sector jobs over the past 15 years.

Through SBA’s various government prime contracting and subcontracting programs, the SBA provides policy direction and guidance to Federal procuring agencies and works with them to develop acquisition strategies that will help to increase opportunities for small businesses in Federal procurement. The SBA facilitates this working relationship with the Federal procuring agencies by serving as an active member of the Chief Acquisition Officers Council and chairs the Small Business Working Group. The SBA also chairs the Committee of the Directors of Small and Disadvantaged Programs.

During the period of Fiscal Year (FY) 2000 through FY 2008, total Federal procurement increased from approximately \$200 billion to more than \$434 billion. The small business share increased from \$44.7 billion to \$93.3 billion. In addition, subcontracting dollars going to small business in FY 2008 totaled more than \$64 billion. Thus, for FY 2008, prime contract dollars supported over 650,000 jobs within small businesses and subcontracts supported over 450,000 jobs.

For that same period (FY 2000 – FY 2008), contract awards to: small disadvantaged business increased from \$7.3 billion to \$29.3 billion, women-owned small business from \$4.6 billion to \$14.7 billion, HUBZone certified business from \$663 million to \$10.1 billion, and service-disabled veteran-owned small business from \$554 million (FY 2001) to \$6.4 billion.

Although these are significant increases in contract awards for small business, more work is still needed. The SBA recognizes the need to improve small business government procurement programs working closely with our Federal agency partners.

The SBA through its government contracting function is responsible for assisting small businesses in obtaining a fair opportunity to participate in government procurement through a variety of programs and services. A key tool in this effort is SBA's statutory mandate to establish small business procurement goals with each agency at the beginning of the fiscal year in line with meeting the government-wide goals. The government-wide goals for prime contracting include 23 percent for small business, 5 percent for small disadvantaged business, 5 percent for women-owned small business, 3 percent for service-disabled veteran-owned small business, and 3 percent for HUBZone certified small business. SBA is also required to report on agencies' achievements in meeting their goals, as well as their plans on how to achieve goals that have not been met. SBA has established a Small Business Procurement Scorecard to do this and it is publicly available on SBA's website.

Regarding contracts awarded under the American Recovery and Reinvestment Act, Federal agencies, including the Department of Defense, have done a good job so far in meeting those goals. Currently, contract dollars to small business is above 26%. The socioeconomic achievements are: 6.9% for HUBZone, 3.9% for service-disabled veteran-owned, 4.4% for women-owned small business, and 10.5% for small businesses owned by individuals that are socially and economically disadvantaged.

To help agencies meet or exceed their small business contracting goals, SBA has embarked on a number of regulatory and administrative initiatives that we believe are necessary to create the environment that will encourage Federal procuring agencies, including the Department of Defense, to increase procurement opportunities for small business. These initiatives include proposed changes to the 8(a) Business Development Program to ensure that it operates more efficiently and that benefits of the program are provided to those companies that are truly eligible. We are also undertaking a comprehensive review of the small business size standards for all of the NAICS codes to

ensure that they are at the appropriate levels. Further, we are conducting a business process re-engineering effort to minimize risk and streamline the HUBZone certification process. Also, OMB is currently reviewing the SBA's proposed regulations for the women-owned small business procurement set-aside program.

Our field staff, which is another key tool in our delivery of small business procurement assistance, is organized into six Area Offices: Boston, Philadelphia, Atlanta, Chicago, Dallas, and San Francisco. These offices are responsible for overseeing and directing the activities of our Procurement Center Representatives, Commercial Marketing Representatives, Small Business Size Specialists, Industrial Specialists and Natural Resources Sales Specialists.

Procurement Center Representatives (PCRs) are stationed at major Federal procuring activities and are responsible for increasing small business opportunities in the Federal procuring process. PCRs work with Federal procuring officials at the early stage of the procurement process to explore and develop creative and innovative ways to increase small business participation. PCRs review all proposed major unrestricted procurements and bundled requirements, and recommend procurement strategies that will maximize opportunity for small business to participate as prime contractors. The SBA encourages small businesses to team together and to establish strategic alliances, joint ventures, and participate in a mentor-protégé program to better position themselves for increased procurement opportunities. In addition to SBA's 8(a) Mentor-Protégé program, the Department of Defense (DOD) has a Mentor-Protégé Pilot Program that leverages major DOD contractors to provide disadvantaged small businesses with assistance to increase their capabilities to perform as subcontractors and suppliers under DOD contracts.

Two other programs that help contribute to small business innovation are the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. Both the Senate and the House have passed bills to reauthorize these programs, and the Administration agrees with leaders in the small business community that a final bill needs to provide a long-term reauthorization.

SBIR requires federal agencies with over \$100 million in R&D spending to set aside 2.5 percent of those funds for SBIR grants and contracts that are competitively awarded to eligible firms for early stage R&D. In Fiscal Year 2007, the 11 agencies participating in SBIR provided about 5,500 federal grants and contracts for small businesses, a \$2 billion investment. STTR is similarly structured but with a 0.3 percent set-aside for federal agencies with over \$1 billion in extramural R&D funding. Obviously, the Department of Defense is an active and crucial player in both of these programs because of the size of its R&D spending.

While programs like SBIR and STTR continue to thrive, we are concerned about new challenges which face small businesses that participate in the SBA's small business contracting programs. Currently, a conflict exists between the Government Accountability Office (GAO) and the SBA over the SBA's interpretation of the Small Business Act. The Department of Justice's Office of Legal Counsel has issued an

Opinion confirming the SBA's position and interpretation. Congress recently made clear that the SBA and the Department of Justice, and not the GAO, accurately construed the Small Business Act. The Statement of Managers to the Conference Report on the National Defense Authorization Act for Fiscal Year 2010 (H.R. 2647) "direct[ed] the Secretary of Defense to continue to administer" the small business program at issue "in a manner consistent with the Department of Justice opinion." With the legal uncertainty created by the GAO thus resolved by Congress, the SBA hopes and expects that the GAO will no longer sustain bid protests on the basis of the GAO's prior and now-repudiated reading of the Small Business Act. The SBA is continuing to work with the contracting officer community over this issue in order to assist each agency in implementing the Small Business Act and meeting its small business contracting goals.

Chairman Andrews and other distinguished Members of this Committee; thank you again for the opportunity to testify before you regarding our work to promote government contracting programs for America's small business, and I am happy to answer any questions you may have.